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DIRECTORATE OF
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50

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Central Intelligence Bulletin

CONTENTS

South Vietnam: Situation report. (Page 1)

Thailand: Communist insurgents are developing secure base areas in the north. (Page 3)

Yugoslavia: Student ferment is causing concern in official circles. (Page 4)

Finland: The minority conservative wing of the Communist Party is trying again to impose its program for unity on the party's liberal leadership. (Page 5)

Costa Rica - Panama: Tension between the two countries is building. (Page 7)

Jamaica: Prime Minister Shearer appears headed for a showdown with the sugar industry. (Page 8)

Israel-Egypt: Israeli raid (Page 9)

Brazil: Dismissal of educators (Page 9)

Mozambique: FRELIMO triumvirate (Page 10)

25X1

SECRET

SECRET



25X1

SECRET

SECRET

【 South Vietnam: Ground fighting remained generally light with no large-scale shellings of allied positions reported on 28-29 April.

Significant enemy-initiated military activity included an attack of company size on a South Vietnamese field position in northern Quang Tri Province and the ambush of a US military convoy in Binh Long Province some 55 miles north of Saigon. South Vietnamese casualties totaled nine killed and 24 wounded in the sharp battle near the Rockpile just below the Demilitarized Zone. American reinforcements supported by artillery and air strikes killed 11 Communists in repelling the ambushers. Total American losses included two killed, 11 wounded, and four fuel trucks and one armored personnel carrier destroyed. [REDACTED]

25X1

30 Apr 69

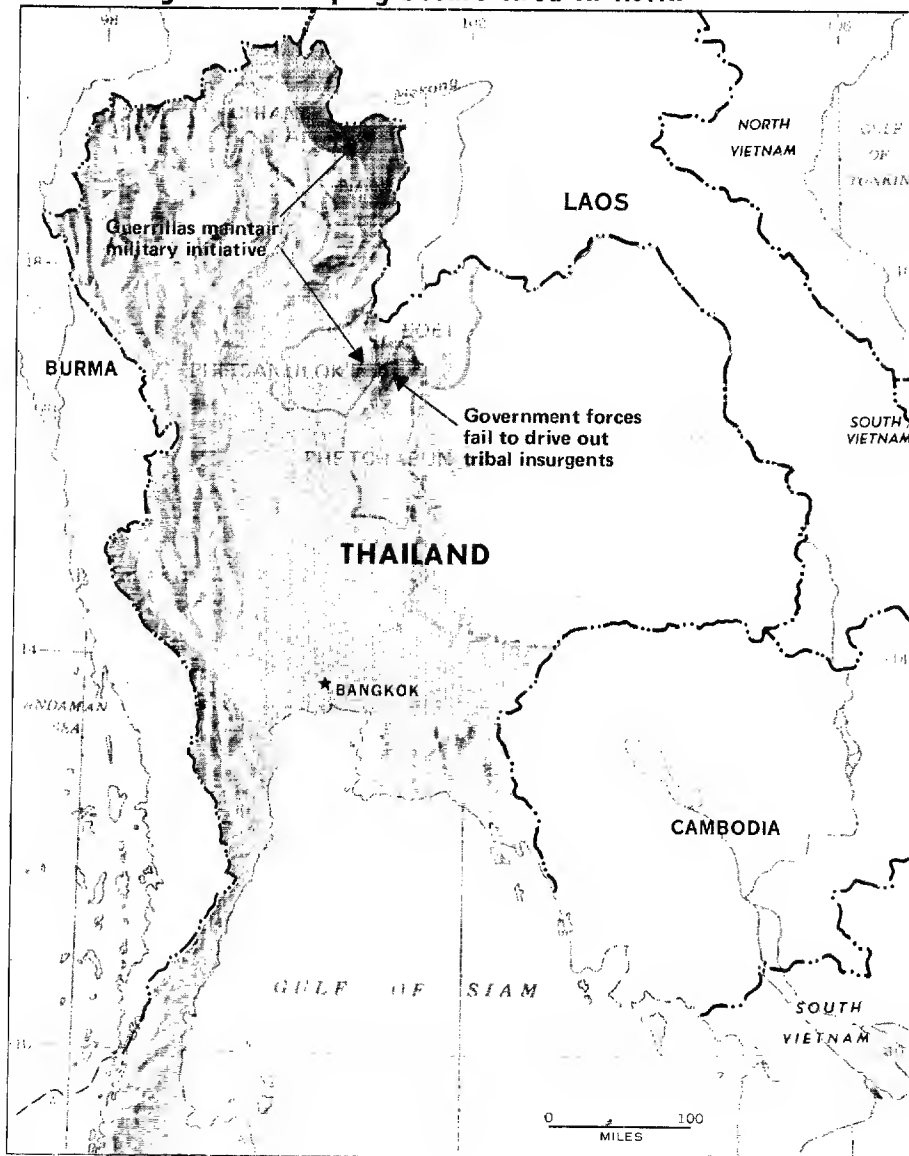
Central Intelligence Bulletin

1

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Thai Insurgents Developing Secure Area in North



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25X1

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Thailand: The Communists are making further headway in developing secure base areas in the north as government forces pull back from advanced positions into garrisons in the valleys.

The government has been able to make few gains in its efforts to counter the threat in the north. Little progress has been made in training tribal self-defense forces or resettling tribal refugees. Moreover, government forces have failed to drive the tribal insurgents from the Phetchabun-Phitsanulok-Loei triborder area and are now bogged down in defensive positions. The government apparently is gambling that it can write off the insurgent-infested tribal areas, while it builds security in the lowlands.

The insurgents apparently are taking advantage of the government withdrawal to strengthen their hold in the villages. Local Thai informants indicate that the Communists are also moving into new tribal areas along the Lao border.

The Communist effort is receiving substantial assistance from North Vietnamese and Pathet Lao elements in Laos. [redacted]

25X1

[redacted] a long-standing infiltration and support organization, apparently run by a Thai Communist Party headquarters group in Laos. The organization includes training camps, forward support bases, and supply trails leading into each of the main operating areas in the north. [redacted]

25X1

[redacted] such assistance has increased in recent months. [redacted]

25X1

[redacted]

30 Apr 69

Central Intelligence Bulletin

3

SECRET

SECRET

Yugoslavia: Continued student ferment and the possibility of demonstrations are causing concern in official circles.

Belgrade postponed Indonesian President Suharto's visit to Yugoslavia, scheduled for 5-8 June, reportedly fearing students would take advantage of the presence of the anti-Communist leader to renew disorders on the first anniversary of last year's riots.

The regime appears worried by the influence of the Belgrade Student Federation weekly, Student, which university officials have attacked recently for propagating "unacceptable concepts." The paper backed the students in their demonstrations at Belgrade University last June and has since criticized the government's failure to respond to the country's political and social ills.

A meeting of the Communists of the law faculty of the Belgrade University on 27 April provided further indication of the regime's concern. Obviously mirroring official attitudes, several faculty members struck out at naive student expectations that problems surfaced last June could be settled quickly.

Student dissatisfaction centers on the government's failure to deliver on its promises to reorganize university education and to improve employment opportunities for graduates. Out of this discontent, a homegrown "new left" apparently is developing within the universities.

Acutely aware of this problem, the government appears to be using indirect methods to maintain discipline in hopes of avoiding harsher, more direct action which would tarnish the liberal image of the party's newly elected leadership. Belgrade will, however, use all means necessary to head off any repetition of last year's riots.

25X1

30 Apr 69

Central Intelligence Bulletin

4

SECRET

SECRET

Finland: At their rump convention over the past weekend, the minority conservative wing of the Communist Party decided to try again to impose its program for unity on the party's liberal leadership.

The conservatives are holding to an all-or-nothing line, although Soviet representatives have tried to mediate differences within the party and leading Finnish Communist liberals have offered to make some minor concessions. The major demand of the conservatives is for a restaffing of the party's leading organs, the same demand that led to their walkout from the party's 15th congress. The conservatives have also denounced revision of the coalition government's economic stabilization program, which the party leadership has reluctantly backed.

The conservatives have appointed a delegation to negotiate terms for the liberal surrender, even though the liberals have made it clear that they will make no major concessions. If the conservatives fail to persuade the party leadership to convene an extraordinary congress to solemnize the conservative return to grace, they appear determined to follow through on their threat to form a more ideologically pure Communist party of their own.

25X1

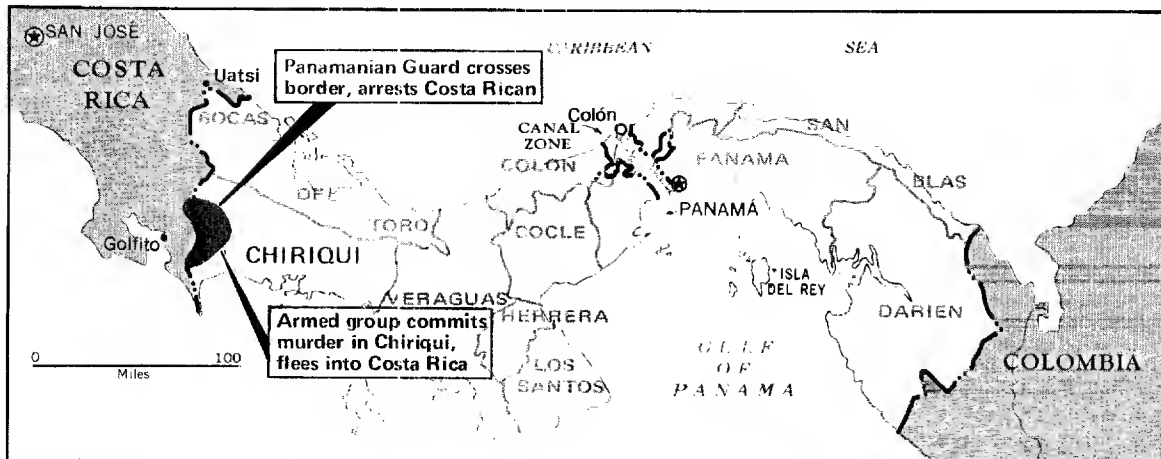
30 Apr 69

Central Intelligence Bulletin

5

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Border Incidents May Precipitate Costa Rica-Panama Break



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25X1

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Costa Rica - Panama: Tension between the two countries is building to the point where Costa Rica may again sever relations, which were renewed early last month.

On 16 April an armed group murdered the sons of a retired Panamanian guardsman in Chiriqui Province and then fled to Costa Rica. Panamanian strongman General Torrijos apparently authorized the violation of the border in search of the group. Another intrusion reportedly occurred on 28 April, when the national guard crossed to arrest a Costa Rican citizen. Panamanian authorities presumably are convinced that either Costa Rican officials or private citizens are in collusion with insurgents operating in the border region.

Costa Rican officials are incensed with the Panamanian junta leaders primarily because of the shabby treatment accorded the chief of the Costa Rica Civil Guard when he was in Panama City last week to discuss border problems and the detention of Costa Rican citizens by the military government.

A break in diplomatic ties might encourage antijunta elements on both sides of the border. Further incursions by the national guard could lead to a clash with the Costa Ricans, who appear to be losing patience with the disrespectful treatment they have received from the military regime.

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25X1

30 Apr 69

Central Intelligence Bulletin

7

SECRET

SECRET

Jamaica: Prime Minister Shearer appears headed for a struggle with the sugar industry that could have political repercussions.

The island's largest sugar estate has threatened to close down at the end of this crop season unless the government, which controls the price of sugar for domestic consumption, grants major concessions to the industry, including a guaranteed price increase. Sugarcane producers plan to make a dramatic appeal to the government on 1 May to alleviate a possible economic crisis.

Since 1965 the sugar industry, which accounts for approximately 30 percent of total agricultural production, has stagnated; even the large producers have been unable to show profits. A two-year drought was partially responsible for the decline in production through 1967, but the industry has also suffered from high production costs and lack of mechanization. Several estates have closed, and approximately 4,000 independent farmers have been forced out of production.

The Jamaican Government has ignored the recommendations of the Sugar Inquiry Commission, published in October 1967, to encourage mechanization and provide means to improve managerial efficiency. Prime Minister Shearer opposes mechanization because he fears increasing unemployment--which has already reached 18 percent--and because the skilled labor necessary to handle the machines would be organized by a union affiliated with his major political rival, the Peoples National Party (PNP).

A showdown between the government and the sugar industry now would add to Shearer's growing political problems and might increase dissension within his own party. The opposition can be expected to capitalize on the sugar issue; Michael Manley, the PNP leader, has already called for significant policy changes to stimulate agricultural development.

25X1

30 Apr 69

Central Intelligence Bulletin

8

SECRET

SECRET

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Israel-Egypt: Israeli commandos struck deep into upper Egypt this morning. According to the Israeli communiqué, the commandos hit a high-voltage line feeding power to Cairo, and several Nile River bridges. The area of the strike, according to Cairo Radio, is apparently the Naj Hammadi area--about 150 miles above Aswan--the site of a raid last October when the Israelis knocked out a transformer and damaged two Nile bridges. Cairo has initially sought to play down this raid, but Nasir will likely be under considerable pressure to take some face-saving retaliatory action. [REDACTED]

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Brazil: The Costa e Silva government has summarily retired 44 education leaders, most of them prominent university professors, some of national and international reputation. The persons retired appear to have been chosen capriciously; some are conservative, others hold leftist views, and a few participated in student demonstrations last year. The move, in addition to arousing widespread criticism, is almost certain to prove a setback to educational reform efforts and may contribute to the "brain drain" about which the government claims to be worried. [REDACTED]

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30 Apr 69

Central Intelligence Bulletin

9

SECRET

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Mozambique: The Mozambique Liberation Front (FRELIMO) announced on 25 April that a three-man Council of the Presidency will succeed the organization's assassinated president, Eduardo Mondlane. Acting President Uria Simango--who will be council coordinator--a military leader, Samora Machel, and a prominent intellectual, Marcelino dos Santos, will have equal authority in carrying out the various presidential duties. The reason for establishing a triumvirate is not certain, but it is probable that the leadership, after recent tribal defections and several months of setbacks in FRELIMO's guerrilla campaign, was reluctant to designate a leader who might have substantial opposition within the Front. [REDACTED]

25X1

30 Apr 69

Central Intelligence Bulletin

10

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